

*Annual  
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quarter!*



**I.T.L. Industries Limited**  
Annual Report  
1972

# Corporate Directory

## **DIRECTORS**

C. A. BELL, Q.C.  
FIRMAN H. HASS  
J. H. HAWKE  
PETER HEDGEWICK  
R. W. KEELEY, K.S.G., K.M.  
C. W. LEONARDI, C.A.  
DONALD C. SUHR

## **OFFICERS**

PETER HEDGEWICK  
Chairman  
DONALD C. SUHR  
President & Chief Executive Officer  
M. L. GARLAND  
Executive Vice President  
DAVID M. VASS  
Vice President (Finance)  
Treasurer  
C. A. BELL, Q.C.  
Secretary

## **AUDITORS**

GLENDINNING, JARRETT, GOULD & CO.  
Windsor, Ontario

## **TRANSFER AGENT AND REGISTRAR**

NATIONAL TRUST COMPANY LIMITED  
Montreal, Toronto, Winnipeg,  
Calgary, Vancouver.

# Message to the Shareholders

## TO THE SHAREHOLDERS:

The year ended November 30, 1972 marked the market place recovery for ITL Industries Limited of many of its products which had been affected by the deferred tooling programs in the principal industries served by the Company during 1971. Although economic conditions and sales volumes began to trend upwards in 1972, pricing levels continued to be severely depressed, particularly in the early part of the fiscal year. As market conditions continued to improve, the Company experienced increased costs which could not be reflected in price adjustments to U.S. customers who were operating under price controls. As a consequence, while 1972 sales increased to \$21,530,124 compared to \$17,638,188 in the prior year, the Company incurred an operating loss, before extraordinary items, of \$275,752 compared to last year's loss of \$613,416 on a lesser volume of business.

During the fiscal year, the Company encountered extraordinary costs in several areas, principally:

Settlement costs relating to patent infringement .....	\$ 544,380
Loss on discontinuance of Dalkrom Tool & Die Corporation and Elco-Wood truck body operations .....	\$ 282,072
Net loss on disposal of investments .....	\$ 168,870
Unrealized deferred income tax charge .....	\$ 76,000
	<u>\$1,071,322</u>

A large portion of these non-recurring costs relates to terminating operations which had placed an undue financial burden upon the Company, and to disposition of assets which did not have the potential of generating adequate revenue. The combined operating and extraordinary loss was \$1,347,074.

The net effect on the Company's working capital position at year end was a reduction of \$358,000.

## MANAGEMENT

On November 6, 1972, Mr. Peter Hedge-wick was appointed Chairman of the Board of Directors and Mr. Donald C. Suhr joined the Board and was appointed President and Chief Executive Officer.

In recent months, the Company has realigned its organization structure to place

increased profit responsibility upon divisional management. Long and short term forecasting and budgetary controls are being more forcefully administered. Credit granting, collections and inventory levels are being more closely supervised to reduce financing requirements and related interest expense. More effective use of human resources has resulted in the redirection of sales and marketing efforts to maximize results.

The realignment of the organization structure and the redistribution of responsibilities have enabled the Company to effect reductions in both salaried and hourly-rated labour costs.

## OPERATIONS

Further steps were taken to consolidate the three Canadian operations of the tooling group of companies, and by mid-1972 these were functioning as one coordinated entity. The advantages in scheduling, equipment utilization and flexibility in serving customer requirements became apparent during the latter part of the fiscal year and was a major factor in increasing productivity.

Wheatley Manufacturing division realized a 20 per cent gain in the sale of die sets with a corresponding increase in profits. The growing market requirement for larger customized die sets has led to the development of expanded business with existing customers and to the addition of new customers.

Kenton Molded Plastics at Kenton, Ohio expanded its molding capacity in 1972 with the addition of new equipment which has been operating continuously since installation.

Ray-O-Lite Incorporated at Huntington Beach, California experienced a 10 per cent reduction in sales with a corresponding decrease in income. This was caused by the uncertain condition of the market during a large part of the year arising from the patent conflict on roadway markers.

Reflex Corporation of Canada augmented its capacity with the addition of a second 1200 ton injection molding press. Several long term molding contracts which began during the latter part of the fiscal year helped to produce a sales increase of approximately 15 per cent for the year.

International Tools (U.K.) Limited continued to be adversely affected by overall reductions in the U.K. tooling industry and experienced no growth during 1972.

However, management was able to offset operating cost increases with manufacturing efficiencies and maintain the same level of profitability as in the prior year.

## PRODUCT REVIEW

The Company's products may be identified as broadly serving three markets. The Company is being developed to capitalize upon its strengths in sales, development expertise, manufacturing techniques and facilities in these areas:

### 1. Consumer Protective Products:

Included in this proprietary product group are "PALM-N-TURN" safety closures, highway safety markers and retro-reflective vehicle markers and lamps. The Company experienced a decline in sales of safety closures in Canada during 1972 resulting from the declining tooling efficiency to meet both Canadian and United States demand. New tooling is presently under construction for the Canadian market and will be effective during the second quarter of 1973. Additional tooling has been constructed to increase the availability of the product in the United States. Development of the use of these patents for aerosol and liquid containers has passed the engineering stage. Prototype molds have been completed and quantities have been shipped to several U.S. and Canadian manufacturers for field test and others are currently being scheduled. The increased capacity becoming available to meet a legislated demand indicates an improved performance for this product.

While the sale of highway markers was depressed during 1972 as noted in "Operations", the Company completed its development of a folding highway safety triangle which is legislated for use by the trucking industry in the U.S. beginning January 1, 1974 and is proposed as a later requirement in Canada. The use of such triangles is already mandatory in certain Common Market countries. National distribution has now begun in the U.S. and tooling capacity is being increased during the current fiscal year to match an increasing sales forecast.

Alternative avenues for increasing sales of Slow Moving Vehicle (S.M.V.) Markers were explored and the current backlog is improved as a result of the 1972 marketing efforts.

### 2. Tooling— Proprietary and Custom:

Wheatley Manufacturing Division, which produces a catalogue line of die sets and accessories primarily used in stamping tools,

expanded its distribution and product line for both its Canadian and U.S. markets. Revised safety tooling required in the plants of many of Wheatley's customers is expected to stimulate Wheatley's market over a substantial period of time. This has been created by increased governmental supervision of industrial safety systems legislated in the U.S. in the 1970 Occupational Safety and Health Act. The division management is aware of the opportunities created by the legislative demand and is planning accordingly.

The increasing demand for contract plastic molds and die cast dies is being met by the consolidation of management and facilities of the tooling group to permit greater efficiency and productive capacity.

**3. Contract Manufacture:** The Company continues to be a major factor in supplying the automotive, recreation, and other vehicle industries with lens assemblies. Recently expanded production capacities in the decorating of both automotive and non-automotive plastic products has broadened the market for the basic molding equipment and created a higher value added to sales potential of this capital investment.

Additional molding facilities placed in operation at both Reflex and Kenton have largely been occupied in producing furniture components and the Company is receiving industry recognition for its contribution to this market.

## OUTLOOK

Based upon an improving economy and continued expansion of productivity in consumer protective products to meet mandated market demands, we look forward to improved operations in 1973. While competitive factors will continue, we are confident that the organizational and budgetary controls, now beginning to be effective, will be reflected in positive earnings.

We sincerely appreciate the support of our shareholders, employees, customers and associates and are grateful for the suggestions and cooperation extended.

On behalf of the Board of Directors,

Donald C. Suhr  
President,  
Chief Executive Officer.

## I.T.L. Industries Limited

and its subsidiaries

Sales
Cost of sales including selling, general and administrative expenses
Earnings before the following deductions
Depreciation
Amortization of financing costs
Interest and long-term debt
Other interest
Loss before income taxes
Income taxes
Income taxes – current
Income taxes – deferred
Loss before extraordinary items
Extraordinary item (note 6)
Net loss
Loss per common share
Before extraordinary items
Net loss

## Consolidated Statement of Loss

For the year ended November 30, 1972

1972	1971
\$21,530,124	\$17,638,188
20,141,191	16,316,777
1,388,933	1,321,411
1,032,557	1,121,856
13,128	11,375
602,935	629,085
222,968	305,544
1,871,588	2,067,860
482,655	746,449
52,968	(236,557)
(259,871)	103,524
(206,903)	(133,033)
275,752	613,416
1,071,322	
\$ 1,347,074	\$ 613,416
\$0.33	\$0.51
1.01	0.51

## I.T.L. Industries Limited

and its subsidiaries

Retained earnings, beginning of year
Less: Net loss
Preference dividends
(Deficit), retained earnings, end of year

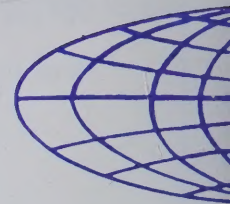
## Consolidated Statement of Deficit

For the year ended November 30, 1972

1972	1971
\$ 869,209	\$ 1,625,568
1,347,074	613,416
	142,943
1,347,074	756,359
\$ (477,865)	\$ 869,209

# Consolidated Balance Sheet

November 30, 1972



## ASSETS

### CURRENT ASSETS

	1972	1971
Cash	\$ 187,497	\$ 166,983
Accounts receivable	4,369,194	4,055,691
Inventories at lower of cost and net realizable value	3,161,623	4,526,366
Income taxes recoverable		276,068
Prepaid expenses and other assets	120,553	344,874

### PROPERTY, PLANT AND EQUIPMENT, at cost

Less: Accumulated depreciation	7,838,867	9,369,982
	14,093,015	15,414,452
	6,211,697	6,328,154

### DEFERRED INCOME TAXES (note 3)

7,881,318 9,086,298

### OTHER ASSETS

Organization and financing costs, less amounts amortized	319,940	
Patents, less amounts amortized	346,673	359,801
	159,768	179,747

506,441 539,548

### EXCESS OF COST OF SHARES OF SUBSIDIES OVER NET ASSETS ACQUIRED

1,167,860 1,261,301

\$17,714,426

\$20,257,129

Approved by the Board:

Peter Hedgewick, Director

J. H. Hawke, Director



**I.T.L. Industries Limited**  
and its subsidiaries

**LIABILITIES**

**CURRENT LIABILITIES**

Bank advances, secured (note 2)  
Accounts payable and accrued liabilities  
Current portion of long-term debt  
Income taxes

LONG-TERM DEBT (note 4)  
DEFERRED INCOME TAXES

1972	1971
\$ 2,461,293	\$ 3,096,398
2,082,961	2,659,974
593,403	538,403
65,624	83,514
<hr/> 5,203,281	<hr/> 6,378,289
7,459,976	7,460,613
	8,331
<hr/> 12,663,257	<hr/> 13,847,233

**SHAREHOLDERS' EQUITY**

**SHARE CAPITAL**

Authorized  
180,600 preference shares with a par value  
of \$25 each, issuable in Series (note 5)  
3,022,337 common shares without par value (note 5)  
Issued  
44,000 6½ % cumulative redeemable  
preference shares, Series A,  
redeemable at par (note 5)  
66,600 6½ % cumulative redeemable convertible  
preference shares, Series B,  
redeemable at par (note 5)  
1,574,093 common shares (note 5)

(DEFICIT) RETAINED EARNINGS  
CONTRIBUTED SURPLUS

1,100,000	1,125,125
1,665,000	1,765,000
2,571,000	2,471,000
<hr/> 5,336,000	<hr/> 5,361,125
(477,865)	869,209
193,034	179,562
<hr/> 5,051,169	<hr/> 6,409,896
<hr/> \$17,714,426	<hr/> \$20,257,129

# Consolidated Statement of Source and Application of Funds

For the year ended November 30, 1972

**I.T.L. Industries Limited**  
and its subsidiaries

## SOURCE OF FUNDS

From operations

(Loss) before extraordinary items

Deductions not requiring a current outlay of funds

Depreciation

Amortization

Income taxes – deferred

Proceeds from long-term debt

Proceeds of sale of property, plant and equipment

Life insurance, cash surrender value

Investment transferred to current assets

## APPLICATION OF FUNDS

Net additions to property, plant and equipment

Reduction of long-term debt

Demand bank loan

Purchase of preference shares for cancellation

Patents

Dividends paid

Extraordinary items

(DECREASE) IN WORKING CAPITAL

WORKING CAPITAL, BEGINNING OF YEAR

WORKING CAPITAL, END OF YEAR

	1972	1971
	\$ (275,752)	\$ (613,416)
	1,032,557	1,121,856
	33,107	23,375
	(259,871)	103,524
	530,041	635,339
	444,767	1,013,239
	398,301	
		49,450
		59,100
	1,373,109	1,757,128
	225,878	830,191
	445,404	538,403
		825,000
	11,653	34,445
		25,811
		142,943
	1,046,281	
	1,729,216	2,396,793
	(356,107)	(639,665)
	2,991,693	3,631,358
	\$ 2,635,586	\$ 2,991,693

# Consolidated Statement of Contributed Surplus

For the year ended November 30, 1972

Contributed surplus, beginning of year

Add: Discount on preference shares purchased for cancellation

Contributed surplus, end of year

	1972	1971
	\$ 179,562	\$ 167,257
	13,472	12,305
	\$ 193,034	\$ 179,562

# Notes to Consolidated Financial Statements

November 30, 1972

## 1. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

Accounts of subsidiaries expressed in currencies other than Canadian have been included on the following basis:

Fixed assets at the rate of exchange prevailing at the time of acquisition, current assets and current liabilities at the rate of exchange prevailing at November 30, 1972 and earnings at the average rate of exchange throughout the year.

## 2. Bank Advances

Bank advances are secured by a general assignment of accounts receivable in amount of \$3,694,869.

## 3. Income taxes (see note 7)

		<u>1972</u>	<u>1971</u>
Deferred income tax charges and credits.			
Deferred income tax charges expected to be realized in future years due to the application of losses against future years' taxable income; applicable to years:			
1969	\$398,797		
1970	246,000		
1971	48,000		
1972	<u>266,203</u>	959,000	960,197
Deferred income tax credits, net of charges due to timing differences, principally in claims for capital cost allowances for tax purposes in excess of depreciation charges		(639,060)	(968,528)
		<u>\$ 319,940</u>	<u>\$ (8,331)</u>

Realization of the deferred income tax charges is contingent upon the Company and certain subsidiaries earning sufficient profits in future years. In the opinion of the directors and management it is virtually certain that future earnings of the Company and certain subsidiaries will be sufficient to realize these benefits.

Not included in the amount of deferred income tax charges is the tax effect of loss carry forwards of approximately \$1,100,000 in subsidiaries in the United States.

In certain subsidiaries unrecorded deferred income tax credits amount to \$266,000. These credits arose from capital cost allowances in excess of depreciation recorded in prior years.

## 4. Long-term debt

(Secured by mortgages and floating charges over assets).

	<u>1972</u>	<u>1971</u>
6.20% Secured Sinking Fund Debentures, Series A, maturing June 15, 1984. Sinking Fund payments of \$50,000 are required annually until maturity.	\$ 650,000	\$ 650,000
6½% Secured Sinking Fund Debentures, Series B, maturing December 15, 1985. Sinking Fund payments of \$30,000 are required annually until maturity.	420,000	450,000
8½% Secured Sinking Fund Debentures, Series C, maturing June 15, 1988. The Company may at any time after June 15, 1972 redeem before maturity all outstanding debentures. Sinking Fund payments of \$100,000 are required annually to June 15, 1988.	1,700,000	1,700,000
8% Convertible Sinking Fund Debentures, 1969 Series, maturing October 1, 1988. The Company may at any time redeem before maturity all outstanding debentures. Sinking Fund payments of \$150,000 are required annually from October 1, 1980 to 1984 and \$200,000 from October 1, 1985 to 1987. (For details of conversion privilege see note 5 below).	3,000,000	3,000,000
8-7/16% loan, maturing July 15, 1979. Principal payments of \$170,000 are due in the year.	1,650,042	1,772,995
Other long-term debt, maturing to 1976. Principal payments of \$93,403 plus interest are due in the year.	633,337	426,021
	<u>8,053,379</u>	<u>7,999,016</u>
Less: Current portion	593,403	538,403
	<u>\$7,459,976</u>	<u>\$7,460,613</u>

Payments required in the next five years to meet long-term debt instalments and sinking fund provisions are:

1973	—	\$593,403
1974	—	586,499
1975	—	586,692
1976	—	536,993
1977	—	376,915

The holder of the sinking fund debentures has agreed to a postponement of payment of principal as follows:

- 6.20% Secured Sinking Fund Debentures Series A, \$50,000 due June 15, 1972 until June 15, 1973.
- 6½% Secured Sinking Fund Debentures Series B, \$30,000 due December 15, 1972 until June 15, 1973.
- 8½% Secured Sinking Fund Debentures Series C, \$100,000 due June 15, 1972 until June 15, 1973.

## 5. Share capital

### Common Shares

There are Share Purchase Warrants entitling the holders thereof to purchase 15,000 Common Shares of the Company (subject to certain adjustments) up to June 1, 1978 at a price varying from \$15 to \$20 per share (subject to certain adjustments) according to the date the warrants are exercised.

Under the terms of the issue of the 8% Convertible Sinking Fund Debentures, 1969 Series, each \$1,000 Debenture is convertible into 50 Common Shares on or before October 1, 1974, decreasing annually to 33 Common Shares on or before October 1, 1984.

165,000 Common Shares of the authorized 3,022,337 Common Shares are reserved against conversion of the 1969 Series Debentures, outstanding at November 30, 1972, and the exercise of the Share Purchase Warrant to purchase 15,000 Common Shares of the Company.

### Preference Shares

The preference, rights, conditions, restrictions, limitations and prohibitions attached to the Series A, Preference Shares require that, commencing in 1966, the Company allocate on or before the first day of March in each year an amount of \$25,000 as a purchase fund for the purchase of such shares for cancellation. During the year the Company acquired and cancelled 1,005 shares. The effect of this transaction is reflected in the Financial Statements. The balance of the purchase fund is \$60,033 (1971, \$46,687).

The Series B, Preference Shares are redeemable at par by the Company at any time after June 1, 1978. Each Series B, Preference Share is convertible into 1.667 Common Shares on or before June 1, 1973, decreasing annually to 1.250 Common Shares on or before June 1, 1978.

During the year 6,668 Common Shares were issued on conversion of 4,000 Series B, Preference Shares.

Dividend arrears on the cumulative preference shares amount to \$249,972 at November 30, 1972.

## 6. Extraordinary items

Extraordinary items consist of the following (net of deferred income taxes of \$144,400):

Loss on investments, net	\$ 168,870
Costs of patent infringement	544,380
Loss on close down of certain plants and disposal of the property, plant and equipment	282,072
Unrealized deferred income tax charge	76,000
	<u>\$1,071,322</u>

## 7. Transactions subsequent to Year End.

Subsequent to year end a subsidiary of the Company received and paid re-assessments for income taxes in amount of \$227,803. The effect of these transactions are not reflected in these Financial Statements.

## 8. Statutory information

- (a) The aggregate direct remuneration to the directors and senior officers of the Company was \$128,525 (1971, \$133,545).
- (b) Sales by class of business were as follows:

	1972		1971	
Tools and dies	\$14,831,188	68.9%	\$11,872,863	67.3%
Plastic products	6,698,936	31.1%	5,765,325	32.7%
	<u>\$21,530,124</u>	<u>100.0%</u>	<u>\$17,638,188</u>	<u>100.0%</u>

## AUDITORS' REPORT

To the Shareholders,  
I.T.L. Industries Limited.

We have examined the consolidated balance sheet of I.T.L. Industries Limited and its subsidiaries as at November 30, 1972 and the consolidated statements of loss, deficit, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at November 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Windsor, Ontario,  
March 9, 1973

GLENDINNING, JARRETT, GOULD & CO.  
Chartered Accountants

# The I.T.L. Group of Companies

Wholly-Owned Subsidiaries or Divisions

## **INTERNATIONAL TOOLS CO. LIMITED**

Sandwich P.O. Box 68,  
Windsor, Ontario N9C 3Y8.

- Manufacturers of injection and compression molds for the production of plastic and die cast parts and components for the automotive, electrical appliance and general industries. Facilities include model shop, heat-treating units, numerical controlled equipment and E.D.M. (electrostatic discharge machines).

## **INTERNATIONAL TOOLS (U.K.) LIMITED**

Cressex Industrial Estate, High Wycombe,  
Bucks, England.

- Manufacturers of injection and compression molds for the production of plastic parts and components for the automotive, electrical appliance and general industries.

## **WHEATLEY MANUFACTURING**

DIVISION OF ELCO-WOOD INDUSTRIES  
LIMITED.

2590 Ouellette Avenue,  
Windsor, Ontario N9A 6L8.

- Canada's largest producer of steel die sets. Suppliers to leading tool and die companies throughout Canada. Also manufactures special bushings and die hardware.

## **WHEATLEY ECONOMY DIE SETS, INCORPORATED**

23751 Dequindre, Hazel Park, Michigan 48030.

- Warehouse and distributors of Wheatley products in the U.S.

## **REFLEX CORPORATION OF CANADA LIMITED**

P.O. Box 1180, Amherstburg, Ontario N9V 2Z8.

- Molds, assembles and decorates plastic components for the automotive and other industries.
- Manufacturers of Palm-N-Turn safety containers.

## **I.T.L. INDUSTRIES, INCORPORATED**

P.O. Box 960A, Detroit, Michigan 48232.

- U.S. parent company of

### **RAY-O-LITE, INCORPORATED**

16102 Gothard Street,  
Huntington Beach, California 92647.

- Manufacturers of highway safety products.

### **RAY-O-LITE INTERNATIONAL**

P.O. Box 960A, Detroit, Michigan 48232.

- Sales of retro-reflective products for highway safety, automotive aftermarket, recreation and farm use.

### **KENTON MOLDED PLASTICS**

740 West Lima Street, Kenton, Ohio 43326.

- Manufacturers of injection molded reflectors and plastic parts for I.T.L. operations and third parties.

